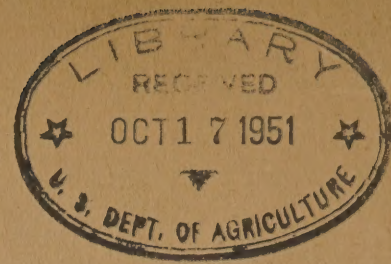


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UNITED STATES DEPARTMENT OF AGRICULTURE  
Rural Electrification Administration

The REA Rural Electrification Program



The Rural Electrification Administration is an agency of the U. S. Department of Agriculture. It was established on May 11, 1935, by Executive Order of the President. The Rural Electrification Act of 1936 gave REA permanent status and authorized a 10-year lending program. In 1944 Congress extended this lending program indefinitely. Congress annually determines the amount of funds REA may lend.

REA is headed by an Administrator who is appointed by the President for a 10-year term. His appointment is confirmed by the Senate, and in his official actions he is responsible to the Secretary of Agriculture. The present Administrator, Claude R. Wickard of Indiana, took office in July 1945.

In the field of rural electrification, REA is empowered to make loans to qualified borrowers, with preference to nonprofit and cooperative organizations and to public bodies. Loans are made to cover the full cost of constructing power lines and other electric facilities to serve persons in rural areas who are without central station electric service. The loans bear 2 percent interest and are repaid over a maximum period of 35 years.

REA itself operates no rural electric facilities, and its program involves no grants or subsidies. REA loans are repaid from the operating revenues of locally-owned, locally-managed systems it finances. Part of each consumer's monthly payment for electricity goes to pay off the Government loans. REA serves principally as banker to local systems. Its main functions are to lend money and give technical advice and counsel where needed in the construction and operation of the borrower's facilities.



Farm electrification had advanced very slowly in the United States during the 53-year period from 1882, when the first central generating system went into service, to 1935, when REA was created. A few farms were connected to power lines prior to World War I. The early 'twenties saw a short-lived spurt in which progress made in electrical engineering was reflected by a small increase in the number of farms served. However, only 10.9 percent of all farms in the United States were receiving central station electric service by 1935. Few power lines had been built beyond the immediate vicinities of cities and towns.

Farmers and farm organizations, chafing at the slow rate of progress, increased their demands for Government action in the field of rural electrification. The result was the establishment of REA, with an action program whose first objective was to make electric service available to farm people who were without electricity.

Since its establishment, REA has greatly stimulated the extension of service into rural areas. Between 1935 and June 30, 1950, more than 4,300,000 additional farms had been connected to central power lines by all agencies, public and private. About 59 percent of the farms connected to central station lines since 1935 received electric service from REA-financed systems. The remainder were on lines of other suppliers, many of which were stimulated to greater activity in the rural field by the REA program.

REA estimated that 5,053,676 of the farms recorded in the 1945 Census, or 86.3 percent, were electrified by June 30, 1950. A sizeable number of the Nation's farms still are unelectrified. In addition, there are hundreds of thousands of unelectrified rural nonfarm dwellings, crossroads businesses, schools, churches, and other rural establishments.



Many of these unelectrified farms are situated in isolated areas, or in areas of relatively low farm income. Consequently, the most difficult part of the rural electrification extension job remains to be completed. However, the REA program has succeeded in establishing a pattern which eventually can provide virtually every unserved farm in the country with electric service.

By April 1, 1951, REA had approved \$2,350,539,614 in loans to 1,077 borrowers. They include 987 cooperatives, 41 public power districts, 24 other public bodies, and 25 commercial power companies. At that time, REA had on file or in process in the field additional loan applications totaling over \$355,000,000 for new system construction and various line improvements. Most of these applications are for expansion of existing systems financed by REA.

Over 1,000 of these REA borrowers now have rural electric facilities in operation. Their facilities include more than 1,100,000 miles of line serving more than 3,435,000 farms and other rural consumers in about 2,600 counties of 46 States, Alaska, and the Virgin Islands. Additional lines are being built more rapidly now than ever before, to reach the out-of-the-way places.

Of all the loans thus far approved by REA, over 80 percent have been for electric distribution facilities. REA makes generation and transmission loans only when borrowers are unable to purchase an adequate supply of power or a saving would result. Approximately 18 percent of the REA loans have been for construction and generating plants and transmission lines. About one percent of the loans have been made to power system operators for re-lending to their consumers to finance installation of wiring, plumbing, fixtures, electrical equipment and appliances, and irrigation facilities.



Membership in rural electric cooperatives is not confined to farmers. It is open to all people in a rural area who can be reached and who want electric service. More than three fourths of all consumers on REA-financed cooperative lines are farms. But also included are many thousands of rural nonfarm dwellings, schools, churches, stores, community buildings, and similar facilities. REA borrowers also serve thousands of rural industries and other commercial enterprises. Many of these rural industries themselves are operating on a cooperative plan.

By April 1, 1951, REA had advanced \$1,765,660,377 in loans to its borrowers. Under REA loan contracts, advances are made as the borrowers need funds with which to pay for construction under way or completed. The difference between the amount of loans approved and the amount of funds advanced represents loan funds that are obligated to borrowers. Most of it has been further obligated by the borrowers to pay for materials or contract services and will be advanced as construction proceeds.

On the same date, the borrowers had returned to the Government \$282,196,238 in principal and interest payments on their REA loans. This included \$30,239,015 in payments on principal ahead of schedule. Less than \$750,000 was reported more than 30 days overdue. Only one REA loan foreclosure has been necessary to date on an operating power system; it was on a loan that had been made to a commercial power company.

REA has made more than 95 percent of its loans to cooperatives organized under State laws by rural people seeking electric service. These groups, which make up about 92 percent of all REA borrowers, are local independent private business enterprises. They are controlled by their consumer-members through boards of directors elected annually by and from the membership.



Rural electric cooperatives have proved the most effective instruments for carrying out the REA program because of their advantages as a method of making reasonable-cost electric service available to farmers in rural areas. These advantages include:

1. REA-financed cooperatives operate on a nonprofit basis.  
This enables them to provide electric service at cost to their members.
2. Directors of REA-financed cooperatives are elected because of their known interest in making electric service available to rural people at reasonable rates. They serve without compensation and keep operating expense at the lowest possible level consistent with good service.
3. Members of REA-financed cooperatives also are interested in keeping costs at a minimum. For example, they help reduce operating expense by voluntarily reporting potential causes of service interruptions such as tree limbs touching the lines. Most of them read their own meters, and many make out their own bills.
4. Previous experience of farmers with other types of cooperatives helps them to organize and operate rural electric cooperatives on a sound basis with a minimum of effort and expense.



Lines constructed by REA borrowers are built to serve entire areas, including less densely settled sections as well as those of greater population. This is known as "area coverage." The test is no longer whether an individual line or section will be self-supporting, but whether the entire system as a whole is feasible. This policy has become increasingly important as the rural electrification job has progressed. Only through area coverage can electric service be extended to many of the more isolated farms, and to groups which are remotely situated in "pocketed" areas far removed from any established source of power.

In every region in the United States rural electric cooperatives have demonstrated that farm electrification, far from constituting an additional cash drain on low farm incomes, actually brings about a higher real farm income and better farm living. It brings more business into rural communities. It encourages new local enterprises which come about when low-cost power is available. It stimulates private business, both locally and nationally. Surveys indicate that for every dollar invested in rural power facilities the farmer invests an additional \$4.50 in wiring, plumbing and electrical appliances.

The use of electric power in farm production and processing is constantly expanding. To date about 400 farm uses for electricity have been reported. Electric power on the farm is an economic necessity which can pay its way with handsome profits for the farmer. REA encourages its borrowers to give their consumers guidance as to which uses are the most efficient and the most profitable in these times of power shortages.



In the State of \_\_\_\_\_, at the time REA was established, only \_\_\_\_\_ farms, or \_\_\_\_\_ percent, were receiving central station electric service. REA estimated that \_\_\_\_\_ farms in the State, or \_\_\_\_\_ percent of all farms recorded in the 1945 Census, were served by June 30, 1950.

The first REA loan in \_\_\_\_\_ was approved in \_\_\_\_\_, and the first REA-financed line placed in operation on \_\_\_\_\_ by the \_\_\_\_\_ of \_\_\_\_\_.

Up to \_\_\_\_\_, REA had approved \$\_\_\_\_\_ in loans in the State to \_\_\_\_\_ borrowers, \_\_\_\_\_ of them cooperatives. The loans will enable these borrowers to finance the construction of \_\_\_\_\_ miles of line and other rural electric facilities to serve \_\_\_\_\_ rural consumers. Some of these facilities already are in operation, and additional lines are being built as rapidly as possible.

By \_\_\_\_\_, REA had advanced \$\_\_\_\_\_ as loans in \_\_\_\_\_, and the State's borrowers were operating \_\_\_\_\_ miles of line serving \_\_\_\_\_ farms and other rural consumers.

The average monthly farm consumption on REA-financed lines in \_\_\_\_\_ increased from \_\_\_\_\_ kilowatt hours in December 1941, to \_\_\_\_\_ kilowatt hours in December 1950. This increase reflects greater use of electrical equipment to save time and labor in performing farm and household tasks to help bring about a more comfortable way of rural living. In the same period the national average went from 61 kwh to 161 kwh per farm.

The latest REA debt-service summary, covering all transactions to \_\_\_\_\_, shows that the \_\_\_\_\_ borrowers have paid \$\_\_\_\_\_ in principal and interest on their Government loans. This includes \$\_\_\_\_\_ paid on principal in advance of the date due. \_\_\_\_\_ borrowers were ahead on their payments and \_\_\_\_\_ were behind. Only \$\_\_\_\_\_ was more than 30 days overdue on loans in the State.



